

## Comet demonstrates resilience

In a demanding environment, the Comet Group in 2018 was able to virtually hold the record-high sales result of the prior year. Net income was CHF 12.3 million, or CHF 24.3 million excluding one-time effects. The management swiftly took important measures for earnings improvement that will make themselves felt in 2019. The Comet Group closed 2018 with a strong balance sheet and low net debt.

With sales of CHF 436.4 million in 2018, the Comet Group, despite a strong contraction in the semiconductor market, nearly matched the record 2017 level of CHF 443.4 million.

At the first signs of a cycle shift in the middle of 2018, the Group took corrective measures in individual businesses to improve earnings performance, completing these initiatives by the end of 2018. It adjusted production capacity in line with the semiconductor market downturn, divested the ebeam systems manufacturer in Davenport, Iowa, USA, and executed a sweeping earnings improvement program in the x-ray systems business whose effects, as already announced, will unfold in 2019. At the same time, the Group continued to invest in future revenue drivers to ensure sustained business development. Excluding the one-off costs of CHF 10.5 million associated with the corrective measures, the

Comet Group realized EBITDA operating earnings of CHF 48.3 million and an EBITDA margin of 11.1%. Net income excluding one-time effects was CHF 24.3 million (2017: CHF 35.3 million).

The consolidated equity ratio increased from 51.7% to 54.4%. Despite high investment in the facility expansion in Flamatt, the management was able to keep the leverage ratio (net debt to EBITDA) at a low level of 0.7 (2017: 0.1). The Comet Group thus remains on a very sound financial footing.

### Solid sales performance in a difficult environment

The weakness in the market for memory chips and the decisions by some manufacturers to postpone investments in equipping fabrication plants led to a slump in the market for semiconductor equipment from the second half of the year. Despite this sharp downswing, the Plasma Control Technologies (PCT) division – which is one of the world's leading vendors of RF power products and achieved record growth in the first half of 2018 – closed the year with sales of CHF 212.2 million, in line with the prior year (2017: CHF 213.0 million). In the X-Ray Systems (IXS) division, after a subdued first six months, successes began to be seen with new products, especially in the electronics market. Declines in individual markets resulted in an overall sales figure of CHF 135.7 million (2017: CHF 139.8 million). The X-Ray Modules (IXM) division, led since January 2018 by Stephan Haferl, continued to expand its position in the core market of non-destructive testing and posted

**“Despite the slump in the world market for semiconductors and declining trends in submarkets, the Comet Group delivered more-than-respectable results for the year.”**

Hans Hess, Chairman of the Board

sales of CHF 81.2 million (2017: CHF 78.8 million). The fiscal year for the ebeam Technologies (EBT) division was marked by its realignment and the divestiture of the manufacturer of customized large systems in the USA. Sales decreased by 32.2% to CHF 20.0 million (2017: CHF 29.5 million).

### One-time effects weigh on EBITDA and net income

The measures launched and systematically implemented to improve earnings in individual areas, as well as ongoing investments in major projects of strategic significance for the future, are reflected in the divisions' results. Thus, PCT swiftly adjusted production capacity in line with the semiconductor market downturn, while continuing to develop the RF power generator, which will open up a new and highly attractive market. In combination with shifts in the product mix, this resulted in an EBITDA operating



Hans Hess, Chairman of the Board, and René Lenggenhager, Chief Executive Officer, Comet Group

earnings figure of CHF 41.8 million (2017: CHF 55.7 million).

In the IXS and EBT divisions, after weak results in the first half of the year, Comet carried out a sweeping earnings improvement program under new divisional management. As previously announced, these changes will make themselves felt in 2019. At IXS, high investments in product portfolio development and one-off costs for the profitability improvement program resulted in a 2018 EBITDA operating loss of CHF 1.5 million (2017: profit of CHF 8.2 million). In the EBT division the one-time expenses for divesting the systems manufacturer in the USA led to a loss of CHF 20.2 million

at EBITDA level (2017: loss of CHF 16.2 million). Of this total, CHF 14.5 million was due to the now divested ebeam systems activities.

Thanks to its realignment to focus on the attractive module business, EBT will be able to reduce its cost base substantially overall in 2019. IXM performed well. Even with one-off costs for the facility expansion in Flamatt, the division improved its EBITDA operating earnings by 11.6% to CHF 20.0 million. Excluding the total one-time effects of CHF 12.0 million, the Comet Group's net income was CHF 24.3 million (2017: CHF 35.3 million). The return on capital employed (ROCE) before one-off costs was 11.1%.

### **Strong technology platform with attractive growth drivers**

The Comet Group, a global technology leader based in Switzerland, has a strong technology platform focused on x-ray, radio frequency (RF) power and ebeam. Based on the shared core competencies of high vacuum, high voltage, materials science, and application and data-processing expertise, the Comet Group provides customers with innovative solutions for faster, more efficient processes and safer products in a wide range of applications and geographic markets. In line with its Strategy 2020, the Group intends to grow by building on its existing core competencies and technologies

## “The Comet Group is in a sound financial position and, after taking earnings improvement measures in 2018, enters fiscal year 2019 on a strengthened footing.”

René Lenggenhager, CEO, Comet Group

and on the pooling of its strengths to leverage new applications while intensifying the collaboration with key accounts. As a diversified group, Comet is able to balance out fluctuations in individual markets and harness strong growth drivers such as the progressive digitalization fueled by the advance of artificial intelligence, the Internet of Things and data analytics, doing so across technologies. The ability of the modules and systems on offer to function as sensors and data generators provides the Group's divisions with the unique opportunity to jointly optimize customers' production processes and thus exploit growth potential and create added value.

Following the corrective actions taken in 2018, the Group enters 2019 in a stronger position thanks to a strong balance sheet and low net debt, and continues to execute its strategy of scaling innovative solutions into new applications.

### Strengthened management team

Under CEO René Lenggenhager, the Comet Group not only laid the groundwork for improved profitability in the EBT and IXS segments. It also strengthened the management team in 2018 at the Executive Committee level by filling vacant positions: In January 2018, Stephan Haferl became President of the X-Ray Modules division and Prisca Hafner assumed the role of the Group's Chief Human Resources Officer, and in November 2018, Thomas Wenzel took over as President of the X-Ray Systems division from interim manager Matthias Barz. As well, the responsibility for business-specific tasks in the operations sphere was delegated to the divisions and the role of Chief Operations Officer was thus eliminated. This new structure creates direct, faster decision paths and enables more agile action attuned to customer needs.

### Outlook for 2019

The Comet Group is in a sound position and, after implementing earnings improvement measures in 2018, enters fiscal year 2019 with a strong balance sheet and low net debt. As well, results in 2019 will benefit from the absence of last year's non-recurring expenses of about CHF 10.5 million. The long-term underlying drivers of business remain intact.

Currently the visibility in the semiconductor market – especially regarding the demand trend for 3D NAND memory chips, a major market for the Comet Group – continues to be very limited for all market participants and at present does not allow a Group-level forecast to be issued for 2019. For the Plasma

Control Technologies division, amid the continuing weak demand for 3D NAND chips coupled with high inventories, the Comet Group expects sales in the first six months of 2019 to be about 10–20% lower than in the second half of 2018; a prediction for the second half of 2019 cannot yet be made. Helped by strong new orders for new products such as the FF 20 CT and FF 35 CT, the X-Ray Systems division anticipates a slight year-over-year increase in sales for the full year 2019 and an EBITDA margin of approximately 6%. In the X-Ray Modules division, the Group expects slight sales growth for 2019 in line with that of 2018. As a result of existing contracts with key accounts and further investment in new applications, the ebeam Technologies division is projected to post 2019 sales of about CHF 15 million with an EBITDA loss of not more than CHF 5 million.

### Dividend proposal of CHF 1.20 per share

At the Annual Shareholder Meeting on April 25, 2019, the Board of Directors will propose a dividend of CHF 1.20 per share (2018: CHF 1.50). Of this total, CHF 1.00 per share is to be paid from the remaining distributable paid-in capital, exempt from Swiss anticipatory tax, and CHF 0.20 per share is to be distributed as a regular dividend. Based on the underlying net income of CHF 24.3 million, the total proposed dividend represents a payout ratio of 38% (2018: 33%).

### Charting of future direction is underway

As the current strategy period to 2020 is approaching its end, the

## Sales

2018  
CHF million

436.4

(Prior year: CHF 443.4 million)

Net income excluding  
one-time effects2018  
CHF million

24.3

(Prior year: CHF 35.3 million)

Return on capital employed  
(ROCE)

2018

11.1%

(Prior year: 16.2%)

Board of Directors instructed management in 2018 to further develop the strategy with a view to the next period. In 2019 the Board will carefully consider the resulting proposals. Key themes will include the development of further geographic markets, applications and products; a strongly customer-focused marketing; enhancing speed and agility in management and processes; and, crucially, the digitalization of products, processes and services, and building-up of the data analytics expertise in the Group.

#### Nominations for election to the Board of Directors

After 14 years as a Board member and 12 years as Chairman of Comet Holding AG, Hans Hess will not be standing for re-election, as already announced in February 2018. During his tenure, he has played a key role in directing the company's impressive development and growth and been instrumental in strong value generation. The Board of Directors thanks Hans Hess for his large contribution. Following a comprehensive search process for the succession, the Board of Directors is proposing Chris-

toph Kutter, Director of the Fraunhofer Institute for Microsystems and Solid State Technologies (EMFT), Munich, to shareholders as non-executive and independent Chairman of the Board. The Board of Directors is very confident that Christoph Kutter, with his 17 years of international strategic and operational experience in the semiconductor industry, his wide-ranging understanding of technology and his expertise in components, systems and software, is exceedingly well qualified to lead the Comet Group into the future as its Chairman and add value to the company.

Having served on the Board for twelve years, Lucas Grolimund, chairman of the Audit Committee, is also not standing for re-election. As the successor to Lucas Grolimund, the Board is proposing that shareholders elect Patrick Jany, Chief Financial Officer of Clariant, as an independent member of the Board of Directors. If elected he will assume the chairmanship of the Audit Committee from Lucas Grolimund.

#### Thank you

The Board and management would like to thank the Group's partners and customers for the close collaboration, trust and confidence with which we have been privileged. A special thank you goes to all our employees, who with their strong commitment successfully mastered the year's challenges, and to our shareholders for their confidence in our company.



Hans Hess  
Chairman of the Board



René Lenggenhager  
Chief Executive Officer